

# Fiscal Note

*Fiscal Services Division*



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**SF 2161** – Earned Income Tax Credit to 13% (LSB 5477SV)  
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Fiscal Note Version – New

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## **Description**

**Senate File 2161** increases Iowa's Earned Income Tax Credit (EITC) from the current 7.0% of the federal credit amount to 13.0% of the federal amount. The change is retroactive to January 1, 2012.

## **Background**

The Iowa EITC is refundable, meaning Iowa EITC beneficiaries receive refunds if the EITC exceeds individual income taxes owed. According to the Department of Revenue, the current 7.0% Iowa EITC reduces net General Fund revenue by \$28.0 million (FY 2012 estimate).

## **Fiscal Impact**

Increasing Iowa's refundable EITC from the current 7.0% of the federal credit to 13.0% will reduce Iowa General Fund revenue by the following amounts.

### **General Fund Net Revenue Reduction (dollars in millions)**

	Revenue Reduction
FY 2012	\$ -0.2
FY 2013	\$ -26.2
FY 2014	\$ -23.2
FY 2015	\$ -23.1
FY 2016	\$ -23.0

The impact will be similar in future fiscal years.

The Iowa EITC is refundable. Changes to refundable tax credits do not impact the local option income surtax for schools calculation.

## **Source**

Department of Revenue income tax model

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February 14, 2012

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The fiscal note for this bill was prepared pursuant to Joint Rule 17 and the correctional and minority impact statements were prepared pursuant to Iowa Code Section 2.56. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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